



## ASX Announcement

29 January 2010

31 December 2009 - Quarterly Report

## Highlights

- Completed a \$4.1m re-capitalisation by way of a rights issue, share and options placement and options placement
- New operators appointed for Stary and UpMach prospects and plans finalized for workovers
- Funds committed to finalise the production facilities on GAL307 with a goal of commencing production late in Quarter 1 2010

## Operations

### ***Galveston 307 Prospect (Snipe, Egret and Sandpiper), Texas State Waters (WI 5.625% NRI 4.5% post Odin earn-in)***

Kilgore transferred funds for its share of the Galveston 307 production facilities and platform to the Operator's trust account. The Company has been advised that the Operator, Black Pool Energy LLC, has had to resolve its own funding issues but that these should be resolved in the next few weeks and that construction should commence shortly thereafter. Assuming Black Pool's funding issues are resolved, it anticipates the commencement of production late in Quarter 1 2010.

### ***UpMach Prospect-Goliad County, Texas (WI 22.5%, NRI 16.425%)***

As of November 2009, Hurd Enterprises, Ltd ("Hurd") took over from Tempest Resources as Operator for the UpMach prospect and the D.M. Rush #1 test well. Hurd, an original working interest owner in the project, is a large family owned business that operates  $\pm 2,900$  Mcfe/d from 14 similar wells within a five-mile radius of the D.M. Rush #1 and is therefore well-placed to develop the field.

Hurd, in conjunction with the Company's US Operations Manager (Hibernia Resources) has developed plans to undertake a workover in Quarter 1 2010 to correct mechanical issues that occurred shortly after the D.M. Rush came on line at a sustained rate in excess of 1,000 Mcf/d.

### ***Stary Prospect, Lavaca County, Texas (WI 33.75%, NRI 25.31%)***

Effective November 2009, the Company's Operation Manager appointed Mego Resources LLC ("Mego") as the operator of the Stary #1 well and its associated midstream asset, the Pilot Grove Pipeline. Mego a prior working interest owner in the Stary#1 well, is focused on the drilling and production of numerous oil and gas properties in the area and is therefore well placed to maximize the return from the prospect. Mego, in conjunction with Hibernia Resources, has finalized plans to plug back the Stary#1 well to the 9,500 foot sand in January 2010.

## ***Alford Prospect - Victoria County, Texas (WI 67.5%, NRI 50.625%)***

The decision was taken to plug and abandon the Alford#1 well and, subsequent to the end of the quarter, an application was made to the relevant authorities.

### ***New Opportunities***

As per previous announcements, Kilgore is continuing to evaluate new opportunities in the energy sector that will help enhance shareholder value.

## **Corporate**

### ***Capital Raising***

Kilgore completed a three-stage \$4.1m capital raising by way of the following:

- A non-renounceable rights Issue of 110,800,003 Shares at an issue price of one cent (\$0.01) on the basis of 1 share for every 1 share held on the record date together with 1 free attaching option for every 2 shares applied for and allotted for to raise \$1,108,000 before costs;
- A share and option placement comprising 250,000,000 shares at an issue price of one cent (\$0.01) together with 1 free attaching option for every 2 shares applied for to raise \$2,500,000 before costs; and
- An option placement comprising the issue of 275,000,000 options at an issue price of 0.2 cents (\$0.002) to raise \$550,000 before costs.

All options have an exercise price of five cents (\$0.05) and will expire 30 June 2012.

Kilgore also issued a further 47,000,000 shares together with 23,500,000 free attaching option to Odin Energy Ltd in satisfaction of \$470,000 of the debt facility that had been provided to Kilgore.

*The technical information in this report has been provided by Brian Ayers, B.Geophs, MBA and Embry Canterbury, BSc (Petroleum Engineering), SPE, ADAM. Mr. Ayers has more than 28 years relevant experience in the US oil and gas industry as a geophysicist and exploration geologist, while Mr. Canterbury has more than 13 years relevant experience in the practice of petroleum engineering and operations. Both Mr. Ayers and Mr. Canterbury consent to the inclusion in this announcement of the information in the form and context in which it appears.*

**Kilgore Oil & Gas Ltd is an ASX listed company focused on identifying, acquiring and capturing high quality oil and gas exploration projects in the Gulf Coast area of the United States. It is our strategic objective to maximise returns on funds invested via drilling exploration targets with the highest level of technical support.**

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# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Kilgore Oil & Gas Ltd

ABN

66 127 735 442

Quarter ended ("current quarter")

31 December 2009

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A000's	Year to date (6 months) \$A000's
1.1	Receipts from product sales and related debtors	2	7
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	- (1,467) - (160)	- (2,004) - (248)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	2	2
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	<b>Net Operating Cash Flows</b>	<b>(1,623)</b>	<b>(2,243)</b>
	<b>Cash flows related to investing activities</b>		
1.8	Payment for purchases of: (a)prospects (b)equity investments (c)other fixed assets	-	-
1.9	Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	316
1.12	Other (provide details if material)	60	60
	<b>Net investing cash flows</b>	<b>60</b>	<b>376</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(1,563)</b>	<b>(1,867)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,563)	(1,867)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	4,628	4,628
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	349
1.17	Repayment of borrowings	(1,295)	(1,295)
1.18	Dividends paid	-	-
1.19	Other-oversubs & capital raising expenses	39	39
	<b>Net financing cash flows</b>	<b>3,372</b>	<b>3,721</b>
	<b>Net increase (decrease) in cash held</b>	<b>1,809</b>	<b>1,854</b>
1.20	Cash at beginning of quarter/year to date	38	58
1.21	Exchange rate adjustments to item 1.20	(54)	(119)
1.22	<b>Cash at end of quarter</b>	<b>1,793</b>	<b>1,793</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Loan of \$470,000 repaid to Odin Energy Ltd by issuing 47,000,000 fully paid ordinary shares.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	1,750	727
3.2 Credit standby arrangements – line of credit	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	50
<b>Total</b>	<b>50</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1793	38
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details): Security deposit	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>1793</b>	<b>38</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Performance +securities</b> <i>(description)</i>	14,000	Unquoted Class D		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	518,600,006	476,050,006		Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	407,800,003	433,500,006		Fully paid
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	478,899,998		<i>Exercise price</i> 5cents	<i>Expiry date</i> 30 June 2012
7.8 Issued during quarter	478,899,998		5cents	30 June 2012
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~not~~\* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:

(~~Director~~/Company secretary)

Date: ...31 December 2009.....

Print name: David Ballantyne.....

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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